

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 ACDA-05 MC-02 CIAE-00 DODE-00 PM-04

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R 021535Z FEB 76

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 5483

INFO AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

S E C R E T SECTION 1 OF 2 BELGRADE 708

E.O. 11652: GDS

TAGS: PARM, PFOR, MASS/, XG, YO

SUBJECT: DEPARTMENT STUDY OF THIRD WORLD CONVENTIONAL ARMS SUPPLY
RESTRAINTS

REF : A. STATE 1673 B. 75 BELGRADE 2843 C. 75 BELGRADE 2200

1. SUMMARY. THE YUGOSLAV ARMS INDUSTRY IS SMALL NOW BUT IT IS DEVELOPING STEADILY, AND THERE ARE A NUMBER OF POLITICAL AND SOME ECONOMIC REASONS WHY YUGOSLAVS FAVOR ITS CONTINUED GROWTH. THE GOY HAS EXPRESSED INTEREST IN CONVENTIONAL ARMS LIMITATION INITIATIVES, BUT IS HOLDS THAT SUCH INITIATIVES CAN SUCCEED ONLY FOLLOWING THE EFFECTIVE LIMITATION OF NUCLEAR WEAPONS. THE GOY HAS BEEN SOUNDING OUT INTEREST IN A GENERAL INTERNATIONAL DISCUSSION OF DISARMAMENT, AT WHICH YUGOSLAVIA AND ITS NON-ALIGNED FRIENDS WOULD HOPE TO HAVE CONSIDERABLE INFLUENCE, AND CAN BE EXPECTED TO BE MORE RECEPTIVE TO THIS APPROACH THAN TO LIMITED ARMS TRANSFER RESTRAINTS. YUGOSLAVIA IS NOT A MEMBER OF THW ARSAW PACT, AND IT

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STILL PERCEIVES THE PACT AS THE MAJOR POTENTIAL THREAT

TO YUGOSLAV SECURITY. YUGOSLAVIA DOES NOT FRONT FOR SOVIET ARMS SALES IN THE THIRD WORLD, AND WHILE THE SOVIETS ARE WILLING TO SELL YUGOSLAVS MANY OF TYPES OF WEAPONS IT SELLS TOWARSAW PACT COUNTRIES (REF C), IT IS NOT WILLING TO SELL THEM MANY SOPHISTICATED WEAPONS WHICH IT MARKETS ABROAD AND WHICH ITS OWN ARMED FORCES DEPLOY IN EASTERN EUROPE. THIS SITUATION MUST CREATE ANXIETY AND RESENTMENT AMONG YUGOSLAVS, BUT ON THE SURFACE AT LEAST YUGOSLAV-SOVIET MILITARY RELATIONS ARE CORRECT. END SUMMARY.

2. INDUSTRY PROFILE: THE YUGOSLAV ARMS INDUSTRY IS SMALL BY INTERNATIONAL STANDARDS BUT IS DEVELOPING STEADILY. YUGOSLAVIA NOW MANUFACTURES A WIDE ARRAY OF MILITARY EQUIPMENT RANGING FROM SMALL ARMS AND AMMUNITION TO SUBMARINES, APC'S, GUNBOATS AND JET AIRCRAFT, SUPPLYING ITSELF WITH 80-85 PERCENT OF ITS MILITARY NEEDS BY ITS OWN ACCOUNTS. YUGOSLAVS STILL DEPEND ON OUTSIDE SUPPLIERS, PRIMARILY THE SOVIET UNION DURING PAST YEARS, FOR TANKS, MISSILES, AND ADVANCED JET FIGHTERS. YUGOSLAVIA HAS A GROWING INTERNATIONAL ARMS SALES PROGRAM WHICH, DESPITE ITS NON-ALIGNED PEACE RHETORIC, IT IS SEEKING TO DEVELOP AS RAPIDLY AS POSSIBLE. AT PRESENT IT HAS ARMS DEALS GOING OR IN THE WORKS WITH ETHIOPIA, SRI LANKA, ZAMBIA, LIBYA, SYRIA, IRAQ AND PROBABLY ANGOLA. IT IS PUSHING HARD IN SEVERAL MIDDLE EASTERN COUNTRIES, NOTABLY KUWAIT.

3. POLITICAL MOTIVES: THE STRONGEST MOTIVE WHICH YUGOSLAV OFFICIALS MOST FREQUENTLY CITE FOR BUILDING UP DOMESTIC ARMS PRODUCTION IS THAT ARMS SELF-SUFFICIENCY IS THE BEST WAY OF PRESERVING YUGOSLAV INDEPENDENCE; THE LEADERSHIP HOPES TO ACHIEVE TOTAL SELF-SUFFICIENCY IN ARMS BY 2000 AD. A SECOND REASON IS THAT YUGOSLAVIA, AS A POTENTIAL MAJOR ARMS SUPPLIER TO NON-ALIGNED COUNTRIES, GAINS STATURE AND INFLUENCE WITHIN THAT GROUP AND IN THE INTERNATIONAL COMMUNITY AS A WHOLE. MILITARY COOPERATIONS WITH NON-ALIGNED COUNTRIES IS ALSO OF POTENTIAL HELP TO YUGOSLAVIA'S OWN SECURITY POSITION IN EUROPE. IN A RECENT INTERVIEW IN NIN (BELGRADE NEWS WEEKLY), A YUGOSLAV GENERAL

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STATED THAT "IF WE JOIN FORCES WITH THESE (NON-ALIGNED) COUNTRIES, WE COULD COUNT ON PRODUCING EVEN THE MOST EXPENSIVE WEAPONS".

4. ECONOMIC MOTIVES: HAVING DECIDED ON POLITICAL/SECURITY GROUND TO FOSTER A MODER ARMS INDUSTRY, THE YUGOSLAVS ARE SEARCHING FOR WAYS TO MINIMIZE THE ECONOMIC BURDEN SUCH AN INDUSTRY WILL PLACE ON THEIR ECONOMY. ONE OBVIOUS WAY

TO DO THIS IS TO INCREASE PRODUCTION RUNS, SINCE INTERNAL DEMAND FOR ARMS CAN JUSTIFY ONLY RELATIVELY SMALL AND THEREFORE UNECONOMIC OUTPUT. THEY SEE THIRD WORLD COUNTRIES AS POTENTIAL SALS OUTLETS, ALLOWING THEM TO INCREASE OUTPUT BEYOND WHAT DOMESTIC DEMAND WOULD PERMIT. IN ADDITION, SELF-SUFFICIENCY IN ARMS PRODUCTION WILL REQUIRE HEAVY INVESTMENTS OF CAPITAL. JOINT PRODUCTION ARRANGEMENTS IN WHICH THIRD WORLD COUNTRIES SHARE AT LEAST SOME OF THE INVESTMENT COSTS, CAN EASE THE BURDEN THE YUGOSLAVS WOULD OTHERWISE HAVE TO BEAR. ONE POSITIVE ECONOMIC ADVANTAGE FLOWING FROM A GROWTH IN YUGOSLAV ARMS PRODUCTION IS ITS BALANCE OF PAYMENT EFFEECT. NOT ONLY WILL THE YUGOSLAVS GENERAGE ADDITIONAL EARNINGS FROM EXPORTS, THEY WILL ALSO SAVE CURRENCY THAT WOULD OTHERWISE HAVE TO BE EXPENDED ON PURCHASES OF NECESSARY MILITARY EQUIPMENT FROM MAJOR ARMS-PRODUCING COUNTRIES. THEY ARE QUITE CANDID IN MAKING THESE POINTS. LAST SEPTEMBER, DEPUTY FONMIN MOJSOV SUMMED UP GOY POLITICAL/ECONOMIC RATIONAL FOR SALES, TELLING AMBASSADOR YUGOSLAVS ARE SELLING ARMS SUCCESSFULLY TO NON-ALIGNED NATIONS AGAINST COMPETITION OF SUCH ADVANCED NATIONS AS SOVIETS, SWEDES AND FRENCH. HE NOTED PROBLEMS OF PRODUCING IN SMALL RUNS, IMPLYING GOY IS ACTIVELY SEEKING ORDERS AND/OR PRODUCTION SHARING ARRANGEMENTS. MOJSOV ALSO SOUGHT TO ASSURE THE AMBASSADOR THAT THE GOY SALES

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S E C R E T FINAL SECTION 2 OF 2 BELGRADE 708

PROGRAM TO THE NON-ALIGNED WAS TO BOLSTER
THE CONFIDENCE OF THESE COUNTRIES, AND HAD NO AGGRESSIVE
INTENT.

5. ARMS LIMITATION INITIATIVES: THE GOY IS ON RECORD
AS RECEPTIVE TO LIMITED PROPOSALS FOR THE CONTROL OF
CONVENTIONAL ARMS, BUT IT HAS EXPRESSED FUNDAMENTAL
SKEPTICISM ABOUT THE EFFECTIVENESS OF SCHEMES THAT ARE
LIMITED IN SCOPE OR GEOGRAPHIC AREA. INSTEAD, THE GOY
HAS LONG BEEN AN ADVOCATE OF BROADER DISARMAMENT PROPOSALS.
IN SUPPORTS THE IDEA OF A GENEVA DISARMAMENT CONFERENCE,
BUT ONLY AFTER EFFECTIVE LIMITATIONS HAVE BEEN PLACED ON
NUCLEAR ARMS (REF B), FOR WHICH IT HAS PRESSED AS A MEMBER
OF NPT. YUGOSLAVIA WAS DEEPLY DISAPPOINTED WITH THE
OUTCOME OF LAST YEARS'S NPT REVIEW CONFERENCE, CHARGING
THAT THE TREATY FAILED TO LIMIT-THE CONTINUED DOMINANCE
OF THE NUCLEAR WEAPONS STATES OVER THE NON-NUCLEAR WEAPONS
STATES. THE GOY HAS WARNED THAT IT MAY HAVE TO "RE-ASSESS"
ITS MEMBERSHIP IN NPT AND HAS BEGUN SOUNDING OUT INTER-
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NATIONAL INTEREST IN A UN SPECIAL SESSION TO DISCUSS AND
PREPARE FOR AN EVENTUAL INTERNATIONAL CONFERENCE ON
DISARMAMENT. YUGOSLAVIA WILL PROBABLY CONTINUE TO BE MORE
RECEPTIVE TO THIS KIND OF APPROACH THAN TO LIMITED RESTRAINTS ON
ARMS TRANSFERS, SINCE YUGOSLAVIA AND OTHER NON-ALIGNED
COUNTRIES COULD HOPE TO EXPLOIT THE SPEAKERS ROSTRUM AND
THEIR VOTING MAJORITY TO WIELD CONSIDERABLE POLITICAL
POWER AT AN INTERNAIONAL CONFERENCE.

6. NEXT FIVE YEARS. THERE ARE TWO ESSENTIALLY
UNPREDICTABLE FACTORS WHICH MIGH CHANGE YUGOSLAVIA'S
ARMS SALES POLICY IN THE NEXT FIVE YEARS. THE FIRST
FACTOR WOULD BE INTERNAL POLITICS, I.E., THE POLITICAL
SHIFTS WHICH MIGHT OCCUR AFTER TITO. A RADICAL SHIFT, HOWEVER
UNLIKELY, EITHER TOWARDS THE WEST OR THE EAST WOULD PROBABLY
LEADE TO DECREASED YUGOSLAV INDPENDENCE IN ARMS MANUFACTURES,
THE SECOND FACTOR WOULD BE PURELY EXTERNAL, I.E., CHANGES
IN DEMAND FOR YUGOSLAV ARMS. YUGOSLAVIA WILL SELL TO
VIRTUALLY ANYONE (EXCLUDING THE OBVIOUS EXCEPTIONS SUCH AS
ISRAEL AND SOUTH AFRICA), AND IS CONSTANTLY TRYING TO
UPGRADE THE QUALITY OF ITS ARMS PRODUCTION. IF ITS
WORLDWIDE SALE COMAPAIN SCORES SOME BREAKTHROUGHS,
PARTICULARLY IN THE MIDDLE EAST, THE YUGOSLAV ARMS
INDUSTRY HAS THE POTENTIAL TO EXPENAD VERY RAPIDLY IN THE

NEXT FIVE YEARS -- WITH THE OVIOUS POLITICAL AND ECONOMIC BENEFITS SUCH A DEVELOPMENT WOULD BRING.

7. YUGOSLAVIA AND SOVIET ARMS SALES. YUGOSLAVIA IS NOT A MEMBER OF THE WARSAW PACT AND DOES NOT ACT AS A FRONT FOR THE SOVIETS IN THIRD WORLD ARMS SALES. AS A RULE, THE YUGOSLAVS ONLY SELL OUTMODED SOVIET EQUIPMENT FOR WHICH THEY NO LONGER HAVE ANY USE. IN ONE CASE THOUGH, IMMEDIATELY AFTER THE OCTOBER 1973 WAR, THEY DID SELL 144 LATE-MODEL SOVIET TANKS TO EGYPT, STRIPPING THEIR OWN FORCES IN SLOVENIA IT IS NOT KNOWN FOR SURE WHAT ROLE, IF ANY, THE SOVIETS PLAYED IN THIS SALE, BUT CERTAINLY THE SOVIETS COULD HAVE HAD NO OBJECTIONS. THE SOVIETS HAVE SOLD YUGOSLAVIA MANY OF THE SAME TYPES OF WEAPONS IT SELLS TO WARSAW PACT COUNTRIS (REF C) BUT IT IS NOT WILLING TO SELL THEM MANY SOPHISTICATED WEAPONS WHICH IT MARKETS ABROAD AND WHICH ITS OWN ARMED FORCES DEPLOY
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IN EASTERN EUROPE. YUGOSLAV MILITARY LEADERS HAVE TOLD US THAT THEY RECOGNIZE THE DANGER OF BECOMING OVERLY DEPENDENT ON ONE FOREIGN ARMS SUPPLIER, AND ARE DETERMINED TO OFFSET TO SOME EXTENT THEIR RELIANCE ON SOVIET ARMS WITH ACQUISITIONS OF WESTERN WEAPONS. YUGOSLAVS STILL PERCEIVE THE WARSAW PACT AS THE MAJOR POTENTIAL THREAT TO THEIR SECRUITY, AND SOVIET UNWILLINGNESS TO SELL THEM CERTAIN WEAPONS MUST CAUSE SOME ANXIETY AND RESENTMENT. BUT ON THE SURFACE, AT LEAST, YUGOSLAV-SOVIET MILITARY RELATIONS CONTINUE TO BE CORRECT.
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